

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Berlin Charter Township	County Monroe
Audit Date December 31, 2004	Opinion Date April 11, 2005	Date Accountant Report Submitted to State June 24, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on the financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Government Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

- 1 We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
- 2 We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1 Certain component units/funds/agencies of the local government unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2 There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3 There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4 The local unit has violated the conditions of either an order issued under the Municipal Finance Act of its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5 The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6 The unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7 The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more that 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8 The unit uses credit cards and has not adopted an applicable policy as required by P.A. 286 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9 The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
The reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU)			X

Certified Public Account (Firm Name)

McGuire & Cavan, CPAs

Street Address

6588 Secor Road

City

Lambertville

State

MI

Zip

48144

Accountant Signature

Donovan McGuire

Date

June 24, 2005



McGuire & Cavan
Certified Public Accountants

L. Donavon McGuire, CPA
Maureen A. Cavan, CPA

6588 Secor Road
Lambertville, MI 8144
Tel 734-854-5044
Fax 734-854-2540

June 20, 2005

Berlin Charter Township Board
Newport, MI

Dear Board Members,

Our audit of the financial statements of Berlin Charter Township for the year ended December 31, 2004, was made in accordance with the generally accepted auditing standards which require that we determine that existing internal controls, accounting procedures and accounting records are adequate to allow us to express an opinion on the financial statements of the Township. The scope of our audit is not intended to be a detailed review of all systems and procedures; therefore, this report should not be considered all-inclusive.

As a result of our audit, we have the following comments and recommendations:

Financial Reporting Changes – *The Governmental Accounting Standards Board Statement No. 34* is now in effect. Your financial statements are presented in the required format, including depreciation of fixed assets and a required Management Discussion and Analysis section in the financial statements.

Bank Reconciliations – All bank accounts should be reconciled on a monthly basis and all necessary adjusting entries posted prior to the end of the following month.

Accounts Payable – Accounts payable should be reconciled at least quarterly and any adjustments posted to the general ledger.

If you have any questions or require assistance in implementation of the above items, please advise us.

Sincerely,

L. Donavon McGuire, CPA
McGuire & Cavan
Certified Public Accountants

BERLIN CHARTER TOWNSHIP

Monroe County, Michigan

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

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McGuire & Cavan

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Township Board
Berlin Charter Township
8000 Swan View
Newport, Michigan 48166

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Berlin Charter Township, Michigan as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Berlin Charter Township, Michigan as of December 31, 2004, and the respective changes in financial position, and cash flows where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 4 and 24 through 26 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinions on the financial statements that collectively comprise the Berlin Charter Township's basic financial statements. The supplementary combining nonmajor fund financial statements and budgetary comparisons are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary combining nonmajor fund financial statements and budgetary comparisons have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGuire & Cavan

McGuire & Cavan
Certified Public Accountants

April 11, 2005

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 3.1% from a year ago – increasing from 19,371.3 thousand to 19,975.3 thousand. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase, of approximately \$706 thousand during the year (10% increase). The business-type activities experienced a \$102 thousand decrease in net assets, primarily as a result of a decrease in new tap ins. In a condensed format, the table below shows a comparison (in thousands of dollars) of the net assets as of the current date to the prior year:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Current Assets	\$ 4,665.2	\$ 4,176.5	\$ 3,593.2	\$ 4,857.2	\$ 8,258.4	\$ 9,033.7
Noncurrent Assets	<u>2,927.6</u>	<u>3,021.1</u>	<u>12,821.6</u>	<u>11,697.6</u>	<u>15,749.2</u>	<u>14,718.7</u>
Total Assets	<u>7,592.8</u>	<u>7,197.6</u>	<u>16,414.8</u>	<u>16,554.8</u>	<u>24,007.6</u>	<u>23,752.4</u>
Long-Term Debt Outstanding	281.9	594.5	3,675.0	3,755.0	3,956.9	4,349.5
Other Liabilities	<u>8.4</u>	<u>6.6</u>	<u>67.0</u>	<u>25.0</u>	<u>75.4</u>	<u>31.6</u>
Total Liabilities	<u>290.3</u>	<u>601.1</u>	<u>3,742.0</u>	<u>3,780.0</u>	<u>4,032.3</u>	<u>4,381.1</u>
Net Assets						
Invested in Capital Assets-						
Net of Debt	2,645.7	2,426.7	9,146.6	7,942.6	11,792.3	10,369.3
Restricted	<u>266.9</u>	<u>670.6</u>	<u>613.1</u>	<u>613.1</u>	<u>880.0</u>	<u>1,283.7</u>
Unrestricted	<u>4,389.9</u>	<u>3,499.2</u>	<u>2,913.1</u>	<u>4,219.1</u>	<u>7,303.0</u>	<u>7,718.3</u>
Total Net Assets	<u>\$ 7,302.5</u>	<u>\$ 6,596.5</u>	<u>\$ 12,672.8</u>	<u>\$ 12,774.8</u>	<u>\$ 19,975.3</u>	<u>\$ 19,371.3</u>

Unrestricted net assets--the part of net assets that can be used to finance day to day operations, increased by \$890,700 for the governmental activities. This represents an increase of approximately 25%. The current level of unrestricted net assets for our governmental activities stands at \$4,389,900, or about 335% of expenditures.

Berlin Charter Township
Management's Discussion and Analysis
December 31, 2004

The following table shows the changes of the net assets (in thousands of dollars) as of the current date to the prior year:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
Program Revenues						
Charges for Services	\$ 26.7	\$ 22.8	\$ 1,358.1	\$ 1,378.7	\$ 1,384.8	\$ 1,401.5
Operating Grants and Contributions	501.1	412.8	-		501.1	412.8
Capital Grants and Contributions	-	32.3	492.5	919.1	492.5	951.4
General Revenues						
Property Taxes	173.9	150.6			173.9	150.6
State-Shared Revenues	350.9	387.3			350.9	387.3
Franchise Fees and Permits	841.8	838.7			841.8	838.7
Unrestricted Investment Earnings	27.9	42.2	30.9	52.1	58.8	94.3
Transfers and Other Revenue	91.0	131.6			91.0	131.6
	<u>2,013.3</u>	<u>2,018.3</u>	<u>1,881.5</u>	<u>2,349.9</u>	<u>3,894.8</u>	<u>4,368.2</u>
Program Expenses						
General Government	449.7	442.3	-	-	449.7	442.3
Public Safety	490.3	451.4	-	-	490.3	451.4
Public Works	329.2	693.7	-	-	329.2	693.7
Recreation and Culture	21.9	25.6	-	-	21.9	25.6
Interest on Long-Term Debt	16.3	15.0	-	-	16.3	15.0
Water and Sewer	-	-	1,983.5	1,554.4	1,983.5	1,554.4
Total Expenses	<u>1,307.4</u>	<u>1,628.0</u>	<u>1,983.5</u>	<u>1,554.4</u>	<u>3,290.9</u>	<u>3,182.4</u>
Change in Net Assets	<u>\$ 705.9</u>	<u>\$ 390.3</u>	<u>\$ (102.0)</u>	<u>\$ 795.5</u>	<u>\$ 603.9</u>	<u>\$ 1,185.8</u>

The Township's net assets continue to remain healthy. The total revenues decreased by \$474,000 due to tap-in revenue and we were able to hold total expenses to a .3% increase. As a result, net assets grew by \$603,900, compared to a prior year increase of \$1,185,800

Governmental Activities

The Township's total governmental revenues decreased by approximately \$5,000.

Expenses decreased by \$320,600 during the year. This was primarily the result of reduced public works expenses.

Business-Type Activities

The Township's business-type activities consist of a Water and a Sewer Fund. Water is purchased from the City of Detroit. Sewage treatment is provided to residents through our own treatment facility.

The Township's Funds

Our analysis of the Township's major funds begins on page 7, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2004 include the General Fund, the Fire Fund, and the Building Inspection Fund.

The General Fund pays for most of the Township's governmental services. Fire protection is provided by the Fire Fund which receives revenues from a Township wide assessment.

General Fund Budgetary Highlights

During the fiscal period 2004, the Township Board amended the budget to reflect changes which took place during the year. There were no material changes.

All departments were within budget allocation.

Capital Asset and Debt Administration

At December 31, 2004, the Township had \$15,750,000 invested in a broad range of capital assets, including buildings, fire equipment, and water and sewer lines.

Debt totaled \$3,956,903 which will be retired over the next twenty-two years.

Economic Factors and Next Year's Budgets and Rates

The General Fund 2005 fiscal budgeted revenue is expected to be \$735,000 or up 25%. The total General Fund budget is actually 23% greater than the last fiscal year.

With regard to road building within the Township, because the road budget amount for the past three years has been spent already, the Township will not be spending any amount on the roads other than performing general maintenance, and the Township will, if fact, be attempting to build-up road funds over the next couple of years.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

BERLIN CHARTER TOWNSHIP
GOVERNMENT WIDE STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	Primary Government		
	<i>Governmental Activities</i>	<i>Business - Type Activities</i>	<i>Total</i>
Assets			
Cash and Cash Equivalents	\$ 3,677,971	\$ 3,186,438	\$ 6,864,409
Receivables (Net of Allowance for Uncollectibles):			
Accounts	-	364,281	364,281
Taxes	151,620	-	151,620
Assessments	450,050	-	450,050
Due From State of Michigan	119,078	-	119,078
Inventory	-	41,434	41,434
Internal Balances	-	-	-
Restricted Cash With Fiscal Agent	266,465	1,085	267,550
	<u>4,665,184</u>	<u>3,593,238</u>	<u>8,258,422</u>
Capital Assets:			
Land	667,200	-	667,200
Buildings and System	1,486,200	20,543,666	22,029,866
Improvements Other than Buildings	204,715	-	204,715
Machinery and Equipment	1,334,959	686,942	2,021,901
Construction in Progress	-	-	-
Less Accumulated Depreciation	(765,455)	(8,408,963)	(9,174,418)
Total Capital Assets (Net of Accumulated Depreciation)	<u>2,927,619</u>	<u>12,821,645</u>	<u>15,749,264</u>
Total Assets	<u>7,592,803</u>	<u>16,414,883</u>	<u>24,007,686</u>
Liabilities			
Accounts Payable	6,798	36,144	42,942
Accrued Expenses	1,621	30,881	32,502
Noncurrent Liabilities:			
Due Within One Year	138,561	85,000	223,561
Due in More Than One Year	143,342	3,590,000	3,733,342
Total Liabilities	<u>290,322</u>	<u>3,742,025</u>	<u>4,032,347</u>
Net Assets			
Invested in Capital Assets Net of Related Debt	2,645,716	9,146,645	11,792,361
Restricted for:			
Improvements	266,915	613,101	880,016
Unrestricted	4,389,850	2,913,111	7,302,961
Total Net Assets	<u>\$ 7,302,481</u>	<u>\$ 12,672,857</u>	<u>\$ 19,975,338</u>

See Accompanying Notes to the Financial Statements.

BERLIN CHARTER TOWNSHIP

**GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 449,697	\$ 26,707	\$ -	\$ -	\$ (422,990)	\$ -	\$ (422,990)
Public Safety	490,334	-	501,109	-	10,775	-	10,775
Public Works	329,228	-	-	-	(329,228)	-	(329,228)
Culture and Recreation	21,865	-	-	-	(21,865)	-	(21,865)
Interest on Long-Term Debt	16,368	-	-	-	(16,368)	-	(16,368)
Total Governmental Activities	1,307,492	26,707	501,109	-	(779,676)	-	(779,676)
Business-Type Activities:							
Sewer	956,566	623,377	-	312,750		(20,439)	(20,439)
Water	1,026,968	734,744	-	179,790		(112,434)	(112,434)
Total Business-Type Activities	1,983,534	1,358,121	-	492,540		(132,873)	(132,873)
Total Primary Government	\$ 3,291,026	\$ 1,384,828	\$ 501,109	\$ 492,540	(779,676)	(132,873)	(912,549)
General Revenues:							
Property Taxes					173,921	-	173,921
State Shared Revenues					350,944	-	350,944
Franchise Fees and Permits					841,785	-	841,785
Unrestricted Investment Earnings					27,920	30,887	58,807
Miscellaneous					91,040	-	91,040
Transfers						-	-
Total General Revenues and Transfers					1,485,610	30,887	1,516,497
Change in Net Assets					705,934	(101,986)	603,948
Net Assets - Beginning					6,596,547	12,774,843	19,371,390
Net Assets - Ending					\$ 7,302,481	\$ 12,672,857	\$ 19,975,338

See Accompanying Notes to the Financial Statements.

BERLIN CHARTER TOWNSHIP

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2004

	<i>General</i>	<i>Fire</i>	<i>Building</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<i>Assets</i>					
Cash and Cash Equivalents	\$ 2,832,493	\$ 425,366	\$ 344,656	\$ 75,456	\$ 3,677,971
Taxes Receivable	151,620	-	-	-	151,620
Due From Other Funds	3,845	71,611	-	-	75,456
Due From State	119,078	-	-	-	119,078
Assessments Receivable	-	450,050	-	-	450,050
Restricted Cash	266,465	-	-	-	266,465
Total Assets	\$ 3,373,501	\$ 947,027	\$ 344,656	\$ 75,456	\$ 4,740,640
<i>Liabilities and Fund Balance</i>					
Liabilities:					
Accounts Payable	\$ 2,421	\$ 4,137	\$ 240	\$ -	\$ 6,798
Due to Other Funds	-	-	-	75,456	75,456
Deferred Revenue	167,883	501,172	-	-	669,055
Total Liabilities	170,304	505,309	240	75,456	751,309
Fund Equity :					
Fund Balance:					
Unreserved-Undesignated	2,936,282	441,718	344,416	-	3,722,416
Reserved	266,915	-	-	-	266,915
Total Fund Equity	3,203,197	441,718	344,416	-	3,989,331
Total Liabilities and Equity	\$ 3,373,501	\$ 947,027	\$ 344,656	\$ 75,456	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

2,927,619

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

669,055

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(283,524)

Net Assets of Governmental Activities

\$ 7,302,481

See Accompanying Notes to the Financial Statements

BERLIN CHARTER TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<i>General</i>	<i>Fire</i>	<i>Building</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:					
Taxes	\$ 158,883	\$ -	\$ -	\$ -	\$ 158,883
Licenses and Permits	487,255	-	354,464	66	841,785
State Grants	345,944	5,000	-	-	350,944
Charges for Services	26,707	-	-	-	26,707
Special Assessments	-	399,726	-	44,474	444,200
Fines and Forfeits	1,918	-	-	-	1,918
Interest	21,594	3,462	2,171	693	27,920
Other	40,651	8,000	-	40,471	89,122
Total Revenues	<u>1,082,952</u>	<u>416,188</u>	<u>356,635</u>	<u>85,704</u>	<u>1,941,479</u>
Expenditures:					
Current:					
General Government	467,907	-	-	-	467,907
Public Safety	-	173,613	247,806	3,583	425,002
Public Works	329,228	-	-	-	329,228
Recreational and Cultural	9,089	-	-	-	9,089
Debt Service:					
Principal	-	133,940	-	145,000	278,940
Interest and Fiscal Charges	-	14,347	-	4,536	18,883
Total Expenditures	<u>806,224</u>	<u>321,900</u>	<u>247,806</u>	<u>153,119</u>	<u>1,529,049</u>
Excess of Revenue Over (Under) Expenditures	<u>276,728</u>	<u>94,288</u>	<u>108,829</u>	<u>(67,415)</u>	<u>412,430</u>
Other Financing Sources (Uses):					
Operating Transfers In	3,845	62,098	-	-	65,943
Operating Transfers Out	-	-	-	(65,943)	(65,943)
Total Other Financing Sources (Uses)	<u>3,845</u>	<u>62,098</u>	<u>-</u>	<u>(65,943)</u>	<u>-</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>280,573</u>	<u>156,386</u>	<u>108,829</u>	<u>(133,358)</u>	<u>412,430</u>
Fund Balance - Beginning	<u>2,922,624</u>	<u>285,332</u>	<u>235,587</u>	<u>133,358</u>	
Fund Balance - Ending	<u>\$ 3,203,197</u>	<u>\$ 441,718</u>	<u>\$ 344,416</u>	<u>\$ -</u>	

Amounts reported for governmental activities in the statement of activities are different because:

-Governmental funds report capital outlays as expenditures; in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (93,526)

-Special assessment and similar revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 71,947

-Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 312,568

-Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 2,515

Change in Net Assets of Governmental Activities \$ 705,934

See Accompanying Notes to the Financial Statements.

BERLIN CHARTER TOWNSHIP
PROPRIETARY FUNDS STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	<i>Sewage System Current Year</i>	<i>Sewage System Prior Year</i>	<i>Water System Current Year</i>	<i>Water System Prior Year</i>	<i>Totals</i>
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 1,850,164	\$ 2,608,788	\$ 1,336,274	\$ 1,678,947	\$ 3,186,438
Accounts Receivable	185,426	227,340	178,855	193,852	364,281
Inventory	-	-	41,434	53,564	41,434
Due from Other Funds	-	-	22,179	22,179	22,179
Total Current Assets	<u>2,035,590</u>	<u>2,836,128</u>	<u>1,578,742</u>	<u>1,948,542</u>	<u>3,614,332</u>
Noncurrent Assets:					
Restricted Cash	549	94,195	536	536	1,085
Buildings and System	11,020,271	8,209,396	9,523,395	9,037,308	20,543,666
Machinery and Equipment	686,942	652,435	-	-	686,942
Construction in Progress	-	1,697,356	-	-	-
Less Accumulated Depreciation	(4,742,138)	(4,474,295)	(3,666,825)	(3,424,578)	(8,408,963)
Total Noncurrent Assets:	<u>6,965,624</u>	<u>6,179,087</u>	<u>5,857,106</u>	<u>5,613,266</u>	<u>12,822,730</u>
Total Assets	<u>9,001,214</u>	<u>9,015,215</u>	<u>7,435,848</u>	<u>7,561,808</u>	<u>16,437,062</u>
Liabilities					
Current Liabilities:					
Accounts Payable	11,446	1,362	24,698	23,635	36,144
Accrued Expenses	12,290	-	18,591	-	30,881
Due to Other Funds	22,179	22,179	-	-	22,179
Current Portion - Bonds Payable	<u>35,000</u>	<u>35,000</u>	<u>50,000</u>	<u>45,000</u>	<u>85,000</u>
Total Current Liabilities	<u>80,915</u>	<u>58,541</u>	<u>93,289</u>	<u>68,635</u>	<u>174,204</u>
Noncurrent Liabilities:					
Bonds Payable	<u>1,700,000</u>	<u>1,735,000</u>	<u>1,890,000</u>	<u>1,940,000</u>	<u>3,590,000</u>
Total Liabilities	<u>1,780,915</u>	<u>1,793,541</u>	<u>1,983,289</u>	<u>2,008,635</u>	<u>3,764,204</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	5,230,075	4,314,892	3,916,570	3,627,730	9,146,645
Restricted For Improvements	192,675	192,675	420,426	420,426	613,101
Unrestricted	<u>1,797,548</u>	<u>2,714,106</u>	<u>1,115,563</u>	<u>1,505,017</u>	<u>2,913,111</u>
Total Net Assets	<u>\$ 7,220,298</u>	<u>\$ 7,221,673</u>	<u>\$ 5,452,559</u>	<u>\$ 5,553,173</u>	<u>\$ 12,672,857</u>

See Accompanying Notes to the Financial Statements.

BERLIN CHARTER TOWNSHIP

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<i>Business-type Activities - Enterprise Funds</i>				<i>Totals</i>
	<i>Sewage System Current Year</i>	<i>Sewage System Prior Year</i>	<i>Water System Current Year</i>	<i>Water System Prior Year</i>	
Operating Revenue:					
Use Charges	\$ 428,347	\$ 493,927	\$ 464,413	\$ 479,911	\$ 892,760
Capital Improvement Charges	151,302	142,905	195,159	189,521	346,461
Meter Service	-	-	15,113	14,306	15,113
Turn On/Off Charges	-	-	3,454	2,474	3,454
Late Charges	13,088	12,244	11,716	11,983	24,804
Other	30,640	7,450	44,889	23,947	75,529
Total Operating Revenue	<u>623,377</u>	<u>656,526</u>	<u>734,744</u>	<u>722,142</u>	<u>1,358,121</u>
Operating Expenses					
Water Purchases	-	-	326,302	306,104	326,302
Wages	131,531	113,090	114,183	105,498	245,714
Benefits	65,439	51,015	58,935	49,191	124,374
Supplies	72,316	49,757	9,005	15,923	81,321
Professional Services	21,154	18,483	27,197	6,101	48,351
Repair and Maintenance	59,089	86,034	82,953	39,675	142,042
Insurance	15,194	11,964	15,194	11,964	30,388
Utilities	72,779	62,784	8,606	4,712	81,385
Other	157,596	11,461	6,838	6,499	164,434
Depreciation	267,843	207,192	242,247	195,006	510,090
Total Operating Expenses	<u>862,941</u>	<u>611,780</u>	<u>891,460</u>	<u>740,673</u>	<u>1,754,401</u>
Operating Income (Loss)	<u>(239,564)</u>	<u>44,746</u>	<u>(156,716)</u>	<u>(18,531)</u>	<u>(396,280)</u>
Non-Operating Revenues (Expenses):					
Interest Income	19,064	29,870	11,823	22,243	30,887
Interest Expense	(93,625)	(82,656)	(135,508)	(119,248)	(229,133)
Tap Fees	312,750	587,500	179,790	331,680	492,540
Total Non-Operating Income (Loss)	<u>238,189</u>	<u>534,714</u>	<u>56,105</u>	<u>234,675</u>	<u>294,294</u>
Change in Net Assets	(1,375)	579,460	(100,611)	216,144	(101,986)
Total Net Assets - Beginning	<u>7,221,673</u>	<u>6,642,213</u>	<u>5,553,170</u>	<u>5,337,029</u>	<u>12,774,843</u>
Total Net Assets - Ending	<u>\$ 7,220,298</u>	<u>\$ 7,221,673</u>	<u>\$ 5,452,559</u>	<u>\$ 5,553,173</u>	<u>\$ 12,672,857</u>

See Accompanying Notes to the Financial Statements.

BERLIN CHARTER TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
DECEMBER 31, 2004

	<i>Business-type Activities - Enterprise Funds</i>				
	<i>Sewage System</i>	<i>Sewage System</i>	<i>Water System</i>	<i>Water System</i>	<i>Totals</i>
	<i>Current Year</i>	<i>Prior Year</i>	<i>Current Year</i>	<i>Prior Year</i>	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 665,291	\$ 617,435	\$ 749,741	\$ 712,617	\$ 1,415,032
Payments to suppliers	(441,193)	(395,361)	(503,246)	(468,599)	(944,439)
Payments to employees	(131,531)	(113,090)	(114,183)	(105,498)	(245,714)
Net Cash Provided by Operating Activities	<u>92,567</u>	<u>108,984</u>	<u>132,312</u>	<u>138,520</u>	<u>224,879</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment Interest	19,064	29,870	11,823	22,243	30,887
Net Increase From Investing Activities	<u>19,064</u>	<u>29,870</u>	<u>11,823</u>	<u>22,243</u>	<u>30,887</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers In (Out)	-	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchases of Fixed Assets	(1,148,026)	(1,115,478)	(486,090)	(478,245)	(1,634,116)
Tap Fees	312,750	587,500	179,790	331,680	492,540
Proceeds From Bonds	-	-	-	-	-
Principal Payments	(35,000)	(30,000)	(45,000)	(35,000)	(80,000)
Interest Paid	(93,625)	(82,656)	(135,508)	(119,248)	(229,133)
Net Cash Used For Capital and Related Financing Activities	<u>(963,901)</u>	<u>(640,634)</u>	<u>(486,808)</u>	<u>(300,813)</u>	<u>(1,450,709)</u>
Net Increase In Cash and Cash Equivalents	(852,270)	(501,780)	(342,673)	(140,050)	(1,194,943)
Cash and Cash Equivalents - Beginning	<u>2,702,983</u>	<u>3,204,763</u>	<u>1,679,483</u>	<u>1,819,533</u>	<u>4,382,466</u>
Cash and Cash Equivalents - Ending	<u>\$ 1,850,713</u>	<u>\$ 2,702,983</u>	<u>\$ 1,336,810</u>	<u>\$ 1,679,483</u>	<u>\$ 3,187,523</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (239,564)	\$ 44,746	\$ (156,716)	\$ (18,531)	\$ (396,280)
Depreciation	267,843	207,192	242,247	195,006	510,090
(Increase) Decrease in Current Assets and Increase (Decrease) in Liabilities:					
Accounts Receivable	41,914	(39,091)	14,997	(9,525)	56,911
Interfunds	-	22,179	-	(22,179)	-
Accounts Payable	10,084	(126,042)	1,063	2,924	11,147
Accrued Expenses	12,290	-	18,591	-	30,881
Inventory	-	-	12,130	(9,175)	12,130
Total Adjustments	<u>332,131</u>	<u>64,238</u>	<u>289,028</u>	<u>157,051</u>	<u>621,159</u>
Net Cash Provided by Operating Activities	<u>\$ 92,567</u>	<u>\$ 108,984</u>	<u>\$ 132,312</u>	<u>\$ 138,520</u>	<u>\$ 224,879</u>

See Accompanying Notes to the Financial Statements.

BERLIN CHARTER TOWNSHIP
FIDUCIARY FUND -- STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	<i>Pension Trust Fund</i>	<i>Agency Fund Type (Property Tax Collection Fund)</i>
Assets		
Cash and Cash Equivalents	\$ -	\$ 759,322
Investments at Fair Value:		
Mutual Funds	786,464	-
Taxes Receivable	-	4,716,175
Total Assets	786,464	<u>\$ 5,475,497</u>
Liabilities		
Due to County	-	1,334,292
Due to State	-	1,379,785
Due to Schools	-	2,691,934
Due to Others	-	69,486
Total Liabilities	-	<u>\$ 5,475,497</u>
Net Assets		
Held in Trust for Pension Benefits	<u>\$ 786,464</u>	

See Accompanying Notes to the Financial Statements.

BERLIN CHARTER TOWNSHIP

FIDUCIARY FUND STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<i>Pension Trust Fund</i>
<hr/>	
Additions:	
Contributions	
Employer	\$ 62,362
Plan Members	<u> 16,512</u>
Total Contributions	78,874
Investment Income	
Net Appreciation (Depreciation) in Fair Value of Investments	<u> 45,828</u>
Total Additions	<u> 124,702</u>
Deductions:	
Participant Withdrawals	3,270
Administrative Fees	<u> 8,993</u>
Total Deductions	<u> 12,263</u>
Net Change in Net Assets	112,439
Net Assets - Beginning	<u> 674,025</u>
Net Assets - Ending	<u><u> \$ 786,464</u></u>

See Accompanying Notes to the Financial Statements

Berlin Charter Township
NOTES TO THE FINANCIAL STATEMENTS

- NOTE 1 - Summary of Significant Accounting Policies*
- NOTE 2 - Reconciliation of Government-Wide and Fund Financial Statements*
- NOTE 3 - Stewardship, Compliance and Accountability*
- NOTE 4 - Deposits and Investments*
- NOTE 5 - Receivables*
- NOTE 6 - Capital Assets*
- NOTE 7 - Interfund Receivables, Payables and Transfers*
- NOTE 8 - Leases*
- NOTE 9 - Long-term Debt*
- NOTE 10 - Restricted Assets*
- NOTE 11 - Risk Management*
- NOTE 12 - Employee Retirement Plan*
- NOTE 13 - Pending Litigation*

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Berlin Charter Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Berlin Charter Township:

A - Reporting Entity

Berlin Charter Township is a municipal corporation governed by an elected seven member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

Component Units

Berlin Charter Township has no component units.

B - Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C - Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered available only when cash is received by the government.

Berlin Charter Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Berlin Charter Township as of the preceding December 31st. Although the Berlin Charter Township 2003 ad valorem tax is levied and collectible on December 1, 2004, it is the Berlin Charter Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60days). The 2004 taxable valuation of the Berlin Charter Township totaled \$231.1 million, on which ad valorem taxes levied consisted of .7262 mills for the Berlin Charter Township operating purposes. The taxes generated are recognized in the respective General Fund financial statements as taxes receivable - current or as tax revenue.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for specific revenues and fire protection expenses.

The Building Fund accounts for specific revenues and inspection expenses.

The government reports the following major proprietary funds:

The Water Fund accounts for the activities of the water transmission system.

The Sewer Fund accounts for the sewer treatment system expenses, construction and related debt service.

Additionally, the government reports the following fund types:

The pension trust fund accounts for the activities of the township employees retirement system which accumulates resources for pension benefit payments to qualified employees.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes tap fees as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments --Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables --In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items --Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets-- The bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of Berlin Charter Township's water and sewer lines.

Capital Assets --Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Improvements Other than Buildings	20 years
Machinery and Equipment	5 to 20 years
Water and Sewer Lines	40 to 50 years

Compensated Absences (Vacation and Sick Leave) --It is *not* the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits.

Long-Term Obligations --In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

Fund Equity -- In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications -- Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Use of Estimates -- Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

NOTE 2--RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$283,524 are as follows:

Fire Vehicles Notes	\$ <u>(283,524)</u>
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NOTE 2--RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "-Governmental funds report capital outlays as expenditures; in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this \$93,526 are as follows:

Capital outlay	\$ 16,050
Depreciation	<u>(109,576)</u>
	<u>\$ (93,526)</u>

NOTE 3--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information-- Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and all special revenue funds. All annual appropriations lapse at fiscal yearend. On or before the 1st day of September the Supervisor shall prepare and submit to the Township Board a recommended budget within the tax limit and other revenue sources of the Township covering the next fiscal year. A public hearing on the budget shall be held before its final adoption. On or before the end of the fiscal year, the Township Board shall adopt a budget for the ensuing fiscal year. The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level. (i.e., The level at which expenditures may not legally exceed appropriations). The Supervisor is authorized to transfer budgeted amounts between line-items within an activity category; however, any revisions that alter the total expenditures of any activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds-- During the year, Berlin Charter Township incurred no expenditures which were in excess of the amounts appropriated.

Fund Deficits-- Berlin Charter Township has no accumulated fund balance/retained earning deficits.

NOTE 4--DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Board has designated one bank for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority

NOTE 4--DEPOSITS AND INVESTMENTS (Continued)

At year-end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories:

<u>Primary Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Bank Balance</u>
Cash and Cash Equivalents	\$ 3,677,971	\$ 3,186,438	\$ 6,864,409	\$ 7,951,399
Restricted Cash	266,465	1,085	267,550	268,099
Total	<u>\$ 3,944,436</u>	<u>\$ 3,187,523</u>	<u>\$ 7,131,959</u>	<u>\$ 8,219,498</u>
	Federal Depository Insurance Coverage			<u>\$ 100,000</u>

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Governmental Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

At year-end, the government's investment balances were categorized as follows:

	<u>Category</u>			<u>Reported Amount (Fair Value)</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
U.S. Government Securities	\$ -	\$ -	\$ -	\$ -
Certificates of Deposit	-	-	-	-
Repurchase Agreements	-	-	-	-
Subtotal	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-
Investments Not Subject to Categorization				
Mutual Funds				<u>786,464</u>
Total				<u>\$ 786,464</u>

NOTE 5--RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Accounts	\$ -	\$ -	\$ 178,855	\$ 185,426	\$ 364,281
Special Assessments	-	450,050	-	-	450,050
Taxes	151,620	-	-	-	151,620
Gross Receivables	151,620	450,050	178,855	185,426	965,951
Less: Allowance for Uncollectibles	-	-	-	-	-
Net Receivables	<u>\$ 151,620</u>	<u>\$ 450,050</u>	<u>\$ 178,855</u>	<u>\$ 185,426</u>	<u>\$ 965,951</u>

NOTE 5--RECEIVABLES (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Taxes	\$ 167,883
Assessments	501,172
	<u>\$ 669,055</u>

NOTE 6--CAPITAL ASSETS

Capital asset activity of the government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated :				
Land	\$ 667,200	\$ -	\$ -	\$ 667,200
Capital Assets Being Depreciated :				
Buildings	1,486,200	-	-	1,486,200
Improvements Other Than Buildings	204,715	-	-	204,715
Machinery and Equipment	1,461,909	16,050	(143,000)	1,334,959
Subtotal	<u>3,152,824</u>	<u>16,050</u>	<u>(143,000)</u>	<u>3,025,874</u>
Less Accumulated Depreciation for :				
Buildings	178,798	29,724	-	208,522
Improvements Other Than Buildings	49,699	10,236	-	59,935
Machinery and Equipment	570,382	69,616	(143,000)	496,998
Subtotal	<u>798,879</u>	<u>109,576</u>	<u>(143,000)</u>	<u>765,455</u>
Net Capital Assets Being Depreciated	<u>2,353,945</u>	<u>(93,526)</u>	<u>-</u>	<u>2,260,419</u>
Governmental Activities Total				
Capital Assets--Net of Depreciation	<u>\$ 3,021,145</u>	<u>\$ (93,526)</u>	<u>\$ -</u>	<u>\$ 2,927,619</u>
<u>Business-Type Activities</u>				
Capital Assets Not Being Depreciated :				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Progress	1,697,356	-	(1,697,356)	-
	<u>1,697,356</u>	<u>-</u>	<u>(1,697,356)</u>	<u>-</u>
Capital Assets Being Depreciated :				
Buildings and System	17,246,704	3,296,962		20,543,666
Machinery and Equipment	652,435	34,507		686,942
	<u>17,899,139</u>	<u>3,331,469</u>	<u>-</u>	<u>21,230,608</u>
Less Accumulated Depreciation for :				
Buildings and System	6,075,814	466,145		6,541,959
Machinery and Equipment	1,823,059	43,945		1,867,004
	<u>7,898,873</u>	<u>510,090</u>	<u>-</u>	<u>8,408,963</u>
Net Capital Assets Being Depreciated	<u>10,000,266</u>	<u>2,821,379</u>	<u>-</u>	<u>12,821,645</u>
Business-Type Activities Total				
Capital Assets--Net of Depreciation	<u>\$ 11,697,622</u>	<u>\$ 2,821,379</u>	<u>\$ (1,697,356)</u>	<u>\$ 12,821,645</u>

NOTE 6--CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
General Government	\$ 16,068	Sewer	\$ 267,843
Public Safety	80,732	Water	242,247
Recreation and Culture	12,776	Total Business-Type	
Total Governmental Activities	<u>\$ 109,576</u>	Activities	<u>\$ 510,090</u>

Construction Commitments

The Township has construction contract commitments at December 31, 2004 in the amount of \$346,658.

NOTE 7--INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Liquor Law Enforcement	\$ 3,844
Fire Fund	Fire Debt	71,611
Water	Sewer	22,179
Total		<u>\$ 97,634</u>

Interfund Transfers

Transfers Out:

Non-Major Governmental Funds
Non-Major Governmental Funds

Transfers In

General Fund
Fire Fund

\$ 3,845
62,098
<u>\$ 65,943</u>

NOTE 8--LEASES

Berlin Charter Township had no lease obligations at December 31, 2004.

NOTE 9--LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
Limited Tax General Obligation						
Fire Hall Bonds	6.05%	2004	\$ 145,000	\$ (145,000)	\$ -	\$ -
Fire Truck Note	3.45%	2006	415,843	(133,940)	281,903	138,561
Land Contract	5.05%	2005	33,628	(33,628)	-	-
Total Governmental Activities			<u>\$ 594,471</u>	<u>\$ (312,568)</u>	<u>\$ 281,903</u>	<u>\$ 138,561</u>

NOTE 9--LONG-TERM DEBT (Continued)

Business-Type Activities

County Contractual Obligations

Water Supply System 2000	5.75-6.00%	2025	\$ 1,985,000	\$ (45,000)	\$ 1,940,000	\$ 50,000
Sewage Disposal System 2002	4.25-5.00%	2027	1,770,000	(35,000)	1,735,000	35,000
Total Business-Type Activities			<u>\$ 3,755,000</u>	<u>\$ (80,000)</u>	<u>\$ 3,675,000</u>	<u>\$ 85,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<i>Year Ending December 31,</i>	<i>Governmental Activities</i>		<i>Business-Type Activities</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2005	\$ 138,561	\$ 9,725	\$ 85,000	\$ 193,162
2006	143,342	4,945	95,000	188,549
2007	-	-	100,000	183,543
2008	-	-	110,000	178,143
2009	-	-	110,000	172,494
2010 and after	-	-	3,175,000	1,640,049
Total	<u>\$ 281,903</u>	<u>\$ 14,670</u>	<u>\$ 3,675,000</u>	<u>\$ 2,555,940</u>

NOTE 10--RESTRICTED ASSETS

The balances of the restricted asset (cash with fiscal agent) accounts in the proprietary funds are as follows:

Construction	<u>\$ 1,085</u>
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NOTE 11--RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township purchases commercial insurance for all of these risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in insurance coverage from the prior year.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

NOTE 12--EMPLOYEE RETIREMENT PLAN

Defined Contribution Pension Plan

The Township provides pension benefits for all of its permanent employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The Township contributes 15% of base wages for each employee. Employees have a mandatory contribution of 3%. An employee is fully vested after 90 days of service. An insurance company administers the plan and the Township makes monthly contributions. The Township's total payroll for the year ended December 31, 2003, was \$541,293. The Township made the required contributions amounting to \$62,362 on covered payroll of \$415,746.

The Plan was established by the Township Board and bargaining agreements and may be amended in the same manner.

Note 13 -- PENDING LITIGATION

At present, there are no cases of litigation pending that would have a material effect on the financial statements.

Required Supplementary Information

BERLIN CHARTER TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>	<i>Amounts</i>	<i>Final Budget -</i>
				<i>Positive</i>
				<i>(Negative)</i>
Beginning Fund Balance	\$ 958,315	\$ 958,315	\$ 2,922,624	\$ 1,964,309
Resources (Inflows)				
Taxes	145,000	145,000	158,883	13,883
Licenses and Permits	150,000	150,000	487,255	337,255
State Grants	250,000	250,000	345,944	95,944
Charges for Services	11,000	11,000	26,707	15,707
Fines & Forfeits	-	-	1,918	1,918
Interest	20,000	20,000	21,594	1,594
Other	15,550	15,550	40,651	25,101
Transfers from Other Funds	-	-	3,845	3,845
Total Resources	591,550	591,550	1,086,797	495,247
Amounts Available for Appropriation	1,549,865	1,549,865	4,009,421	2,459,556
Charges to Appropriations (Outflows)				
General Government :				
Township Board	30,950	30,950	29,232	1,718
Supervisor	40,240	40,240	35,911	4,329
Elections	43,700	43,700	12,387	31,313
Assessor	61,000	71,000	61,099	9,901
Attorney	50,000	50,000	38,873	11,127
Engineering	20,000	20,000	12,267	7,733
Audit	7,000	7,000	3,735	3,265
Clerk	63,640	69,690	63,965	5,725
Board of Review	3,900	3,900	1,361	2,539
Township Treasurer	52,800	52,800	47,348	5,452
Township Hall and Grounds	207,000	207,000	59,871	147,129
Planning Commission	55,050	55,050	12,699	42,351
Board of Appeals	2,140	2,140	884	1,256
Unallocated-Township at Large	424,245	408,195	88,275	319,920
Total General Government	1,061,665	1,061,665	467,907	593,758
Public Works :				
Street Lighting	35,000	35,000	28,745	6,255
Highways and Streets	420,000	420,000	300,483	119,517
Total Public Works	455,000	455,000	329,228	125,772
Cultural and Recreational:				
Parks and Recreation	10,000	10,000	1,180	8,820
Library	23,200	23,200	7,909	15,291
Total Recreation and Cultural	33,200	33,200	9,089	24,111
Transfers to Other Funds	-	-	-	-
Total Charges to Appropriations	1,549,865	1,549,865	806,224	743,641
Budgetary Fund Balance -- Ending	\$ -	\$ -	\$ 3,203,197	\$ 3,203,197

BERLIN CHARTER TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>	<i>Amounts</i>	<i>Final Budget -</i>
				<i>Positive</i>
				<i>(Negative)</i>
Beginning Fund Balance	\$ -	\$ 2,951	\$ 285,332	\$ 282,381
Resources (Inflows)				
Licenses and Permits			-	-
State Grants	-	5,000	5,000	-
Assessment Revenue	385,000	385,000	399,726	14,726
Interest	2,000	2,000	3,462	1,462
Other	-	8,000	8,000	-
Transfers from Other Funds	-	-	62,098	62,098
Total Revenue	387,000	400,000	478,286	78,286
Amounts Available for Appropriation	387,000	402,951	763,618	360,667
Charges to Appropriations (Outflows)				
Public Safety				
Fire Station No. 1			57,012	
Fire Station No. 2			68,105	
Pay Per Call			48,496	
Total Public Safety	201,000	216,951	173,613	43,338
Debt Service				
Principal			133,940	
Interest and Fees			14,347	
	186,000	186,000	148,287	37,713
Total Charges to Appropriations	387,000	402,951	321,900	81,051
Budgetary Fund Balance -- Ending	\$ -	\$ -	\$ 441,718	\$ 441,718

BERLIN CHARTER TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
BUILDING FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>	<i>Amounts</i>	<i>Final Budget -</i>
				<i>Positive</i>
				<i>(Negative)</i>
Beginning Fund Balance	\$	\$ -	\$ 235,587	\$ 235,587
Resources (Inflows)				
Licenses and Permits	315,200	315,200	354,464	39,264
Interest	500	500	2,171	1,671
Total Revenue	315,700	315,700	356,635	40,935
Amounts Available for Appropriation	315,700	315,700	592,222	276,522
Charges to Appropriations (Outflows)				
Public Safety				
Wages			87,451	
Benefits			41,078	
Supplies			10,749	
Maintenance			3,588	
Professional Services			5,338	
Telephone			3,053	
Insurance			13,310	
Utilities			5,095	
Inspection Fees			72,041	
Other			4,851	
Capital			1,252	
Total Charges to Appropriations	315,700	315,700	247,806	67,894
Budgetary Fund Balance -- Ending	\$ -	\$ -	\$ 344,416	\$ 344,416

Additional Information

BERLIN CHARTER TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	<u>Special Revenue Liquor Law Enforcement</u>	<u>Debt Service Fire Debt</u>	<u>Total Nonmajor Governmental Funds</u>
<i>Assets</i>			
Cash and Cash Equivalents	\$ 3,845	\$ 71,611	\$ 75,456
Special Assessments Receivable	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 3,845</u>	<u>\$ 71,611</u>	<u>\$ 75,456</u>
<i>Liabilities and Fund Balance</i>			
Liabilities:			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	<u>3,845</u>	<u>71,611</u>	<u>75,456</u>
Total Liabilities	<u>3,845</u>	<u>71,611</u>	<u>75,456</u>
Fund Balance:			
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 3,845</u>	<u>\$ 71,611</u>	<u>\$ 75,456</u>

BERLIN CHARTER TOWNSHIP
COMBINING STATEMENT OF REVENUES, AND EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Special Revenue Liquor Law Enforcement</u>	<u>Debt Service Fire Debt</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Licenses and Permits	\$ 66	\$ -	\$ 66
Special Assessments		44,474	44,474
Interest	31	662	693
Other	<u>471</u>	<u>40,000</u>	<u>40,471</u>
Total Revenue	<u>568</u>	<u>85,136</u>	<u>85,704</u>
Expenditures:			
Current:			
Public Safety	3,583	-	3,583
Debt Service:			
Principal	-	145,000	145,000
Interest and Fiscal Charges	<u>-</u>	<u>4,536</u>	<u>4,536</u>
Total Expenditures	<u>3,583</u>	<u>149,536</u>	<u>153,119</u>
Excess of Revenue Over (Under) Expenditures	(3,015)	(64,400)	(67,415)
Other Financing Uses:			
Operating Transfers Out	<u>(3,845)</u>	<u>(62,098)</u>	<u>(65,943)</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(6,860)	(126,498)	(133,358)
Fund Balance - Beginning	<u>6,860</u>	<u>126,498</u>	<u>133,358</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>